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SEALED

8 IN THE UNITED STATES DISTRICT COURT
9 EASTERN DISTRICT OF CALIFORNIA
10

11 UNITED STATES OF AMERICA,
12 Plaintiff,
13 v.
14 ROYCE NEWCOMB,
15 Defendant.
16

CASE NO. 1:22-cr-00287-A DA-BAM

18 U.S.C. § 1343 – Wire Fraud (Five Counts); 18
U.S.C. § 1957 – Money Laundering (One Count); 18
U.S.C. §§ 981(a)(1)(C), 982(a)(1), and 28 U.S.C. §
2461(c) – Criminal Forfeiture

17
18 INDICTMENT

19 COUNTS ONE THROUGH THREE: [18 U.S.C. § 1343 – Wire Fraud]

20 The Grand Jury charges:

21 ROYCE NEWCOMB,
22 defendant herein, as follows:

23 I. INTRODUCTION

24 1. At all relevant times, defendant ROYCE NEWCOMB was a resident of Fresno County,
25 State and Eastern District of California.

26 2. At all relevant times, defendant NEWCOMB owned and operated a company called
27 Strategic Innovations LLC (“Strategic Innovations”). Strategic Innovations had its principal place of
28 business in Fresno County, State and Eastern District of California.

FILED

Oct 27, 2022

CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

1 **II. SCHEME TO DEFRAUD STRATEGIC INNOVATIONS INVESTORS**

2 3. Beginning on a date unknown to the Grand Jury, but no later than in or around February
3 2017, and continuing through until at least in or around October 2022, in Fresno County, State and
4 Eastern District of California, and elsewhere, defendant NEWCOMB intended to devise, devised,
5 participated in, and executed a material scheme to defraud investors, and to obtain money and property
6 from the investors, by means of materially false representations, promises, and pretenses.

7 **III. MANNER AND MEANS**

8 4. Defendant NEWCOMB carried out his scheme to defraud by using the following manner
9 and means, among others:

10 5. Defendant NEWCOMB purported that Strategic Innovations would develop and make
11 smart home and business products meant to stop package theft and prevent weather damage to packages,
12 and to make it easier for delivery services and emergency responders to find homes and businesses.
13 Defendant NEWCOMB solicited investors to invest in Strategic Innovations based on his false
14 representations concerning Strategic Innovations' business operations and products. He falsely claimed
15 that investor funds would be used for Strategic Innovations to develop and produce products including a
16 smart door, called the eDOR, and a smart address plaque, called the eLIT, among other products.

17 6. Defendant NEWCOMB created prototypes, and applied for and received patents and
18 trademarks, for his eDOR, eLIT, and other claimed products. However, defendant NEWCOMB and
19 Strategic Innovations did not make any sales, have any accounts receivable from customers, or
20 otherwise generate any revenues of the eDOR, eLIT, or any other products.

21 7. Defendant NEWCOMB claimed to potential investors that Strategic Innovations would
22 use investor funds to produce a product called the eDOR, which purportedly had a box in it, called the
23 eBOX, that would recognize package delivery services and automatically open when they came to make
24 a delivery. According to defendant NEWCOMB, after a package was put into an eBOX, the box would
25 automatically close and could only be reopened by the user. Defendant NEWCOMB falsely represented
26 that Strategic Innovations would produce upgrades for the eDOR, such as a smart latch, called the
27 eTETHR. The eTETHR was purportedly for packages that were too large to fit into an eBOX and
28 would secure packages attached to the eTETHR. Defendant NEWCOMB represented that an alarm

1 would go off if the package was disconnected from the eTETHR by someone other than the user.

2 8. Defendant NEWCOMB also falsely claimed to potential investors that Strategic
3 Innovations would use investor funds to produce the eLIT product, which purportedly had LED lights in
4 it that made homes and businesses' addresses more visible from the street. Defendant NEWCOMB
5 represented that the eLIT would automatically flash white if a delivery was expected and would flash
6 red if emergency services had been called. Defendant NEWCOMB also represented that, if an address
7 was incorrectly entered into Google Maps and similar internet applications, the eLIT would
8 automatically correct the location.

9 9. Defendant NEWCOMB solicited investors to invest in Strategic Innovations in various
10 ways, including through product demonstrations, interviews with and submitting product information to
11 the media, and referrals from family, friends, and other investors.

12 10. Defendant NEWCOMB falsely represented to investors, including investors A.H., E.B.,
13 T.P., J.M., and L.L., that he had secured large amounts of funding, including a large monetary grant
14 from the National Science Foundation ("NSF"). He also falsely represented to investors that he would
15 use their money to further develop and bring his products to market, and that he would pay investors
16 significant returns in as little as three months.

17 11. Defendant NEWCOMB made his false representations to investors by various methods,
18 including physical and virtual meetings, calls, text messages, and emails, as well as through written
19 documents, such as prospectuses, investor agreements, and use of funds charts.

20 12. Defendant NEWCOMB did not apply for, or receive, any grants from the NSF or use
21 investors' money as he had promised to them. Instead, defendant NEWCOMB used investor money to
22 pay for his own personal expenses, including gambling, frequent travel, luxury vehicles, and a down
23 payment on a personal home. Defendant NEWCOMB also used investor money to pay refunds to other
24 investors to avoid or settle disputes with them. Finally, he used investor money to pay for new,
25 unrelated projects. The investors did not authorize defendant NEWCOMB to use their investment funds
26 for defendant NEWCOMB's personal expenses or for these other unauthorized purposes.

27 13. When defendant NEWCOMB's investors asked him about the delays in developing his
28 products and paying returns, defendant NEWCOMB provided them with inconsistent, conflicting

1 explanations and excuses concerning the lack of returns on their investments, such as that there had been
2 product design flaws, software problems, or supply chain issues. Defendant NEWCOMB also reassured
3 investors that their money was going towards product development and that he would pay them
4 significant returns soon. In fact, he knew that he had improperly used investors' money to pay for
5 personal expenses, refunds to other investors, and new, unrelated projects, and that no returns were
6 being generated. This allowed defendant NEWCOMB to continue with his scheme to defraud the
7 investors and to delay the discovery of his scheme.

8 14. The false representations, promises, and pretenses that defendant NEWCOMB made to
9 investors were material to them. Investors may decline investment in a business if the business has not
10 secured other sources of funding, if their investment is not going to be used for the intended investment
11 purposes, and if there is no likelihood of significant returns.

12 15. At all relevant times, defendant NEWCOMB acted with the intent to defraud. His
13 scheme to defraud caused investors to incur over \$4,000,000 in losses.

14 **IV. INTERSTATE WIRE TRANSMISSIONS**

15 16. On or about the dates set forth below, in the State and Eastern District of California, and
16 elsewhere, for the purpose of executing his scheme to defraud, defendant NEWCOMB knowingly
17 transmitted and caused to be transmitted, by means of wire and radio communication in interstate
18 commerce, the following writings, signs, signals, pictures and sounds:

Count	Date	Description
ONE	7/16/19	Wire transmission of monies in the amount of \$100,000, originating from investor A.H.'s bank account at Fresno First Bank, in Fresno County, State and Eastern District of California, and sent to defendant NEWCOMB's Strategic Innovations bank account ending – 5115 at Bank of America, that was processed interstate through the Federal Reserve Bank's Wire Transfer Network ("Fedwire").
TWO	8/6/19	Wire transmission of monies in the amount of \$100,000, on behalf of investor E.B., originating from investor A.H.'s bank account at Fresno First Bank, in Fresno County, State and Eastern District of California, and sent to defendant NEWCOMB's Strategic Innovations bank account ending – 5115 at Bank of America, that was processed interstate through Fedwire.

1 2 3 4	THREE	5/12/21	Wire transmission of monies in the amount of \$100,000, on behalf of investor T.P., originating from investor A.H.'s bank account at Fresno First Bank, opened in Fresno County, State and Eastern District of California, and sent to defendant NEWCOMB's Strategic Innovations bank account ending – 7097 at Bank of the West, in Fresno County, State and Eastern District of California, that was processed interstate through Fedwire.
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5 All in violation of Title 18, United States Code, Section 1343.

6 COUNT FOUR: [18 U.S.C. § 1343 – Wire Fraud]

7 The Grand Jury further charges:

8 ROYCE NEWCOMB,

9 defendant herein, as follows:

10 17. Paragraphs 1 through 2 inclusive are hereby incorporated by reference as though fully set
11 forth herein.

12 **I. BACKGROUND ON THE SMALL BUSINESS ADMINISTRATION'S**
13 **ECONOMIC INJURY AND DISASTER LOAN PROGRAM**

14 18. The United States Small Business Administration's ("SBA") Economic Injury Disaster
15 Loan ("EIDL") Program provides temporary financial assistance from the federal government to small
16 businesses, in regions affected by declared disasters, that lost revenues because of the disasters.

17 19. Beginning in March 2020, federal legislation was enacted to allow small businesses that
18 lost revenues because of the COVID-19 pandemic to apply for and receive EIDLs. Overall, more than
19 \$200 billion in federal funds have been appropriated for EIDLs during the pandemic.

20 20. Individuals generally apply to the SBA for an EIDL by submitting an application online.
21 The individual is asked in the online application to describe his business and answer questions to
22 determine the amount of the loan for which the business is eligible. The amount of the loan is
23 determined by the business' annual gross profits, which is calculated by taking its gross revenues and
24 subtracting its cost of goods sold. The SBA requires that an applicant for an EIDL accurately represent
25 his business' revenues and cost of goods sold because inaccurate representations may result in the
26 business being loaned a larger amount of money than the amount for which it is eligible.

27 21. EIDL applications submitted from the western United States prior to July 2020 were
28 processed through an SBA computer server in Washington state. EIDL applications submitted from

1 Fresno County, California, prior to July 2020 were accordingly processed interstate.

2 **II. SCHEME TO DEFRAUD SBA**

3 22. Beginning in or around April 2020, and continuing through until in or around June 2020,
4 in Fresno County, State and Eastern District of California, and elsewhere, defendant NEWCOMB
5 intended to devise, devised, participated in, and executed a material scheme to defraud the SBA and
6 United States, and to obtain money and property from the SBA and United States, by means of
7 materially false representations, promises, and pretenses.

8 **III. MANNER AND MEANS**

9 23. Defendant NEWCOMB carried out his scheme to defraud by using the following manner
10 and means, among others:

11 24. Defendant NEWCOMB caused an EIDL application to be submitted to the SBA online in
12 which he falsely represented that, over the prior twelve months, Strategic Innovations had generated
13 \$150,000 in annual gross profits, which consisted of \$600,000 in revenues and \$450,000 in cost of
14 goods sold. He knew that Strategic Innovations had not actually generated any gross profits because it
15 did not have any gross revenues or cost of goods sold, and that his representations to the contrary were
16 false when he made them to the SBA.

17 25. The false representations that defendant NEWCOMB made to the SBA were material to
18 the agency's decision to approve and fund his EIDL. The SBA may loan a lesser amount of money, or
19 no money at all, if an individual's business did not generate any gross profits.

20 26. At all relevant times, defendant NEWCOMB acted with the intent to defraud and his
21 misconduct caused the SBA and United States to incur over \$72,000 in losses.

22 **IV. INTERSTATE WIRE TRANSMISSION**

23 27. On or about the date set forth below, in the State and Eastern District of California, and
24 elsewhere, for the purpose of executing his scheme to defraud, defendant NEWCOMB knowingly

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caused to be transmitted, by means of wire and radio communication in interstate commerce the following writings, signs, signals, pictures and sounds:

Count	Date	Description
THREE	4/13/20	Application for an EIDL of \$72,000, sent electronically from Fresno County, State and Eastern District of California, and processed by an SBA computer server in Washington state.

All in violation of Title 18, United States Code, Section 1343.

COUNT FOUR: [18 U.S.C. § 1343 – Wire Fraud]

The Grand Jury further charges:

ROYCE NEWCOMB,

defendant herein, as follows:

28. Paragraphs 1 through 2 inclusive are hereby incorporated by reference as though fully set forth herein.

I. BACKGROUND ON PRIVATE LENDER LOANS

29. Generally speaking, private lenders make loans to people and businesses that are struggling financially and are unable to obtain traditional loans from banks or other conventional sources. The private loans are made at higher-than-normal interest rates to account for the increased risk of lending to these people and businesses.

30. A common source of security for such private loans to businesses are the businesses' accounts receivable from customers. The terms of the loans from the private lenders typically provide that, if the businesses default on the loans, the private lenders have a right to collect against the businesses' accounts receivable up to a certain negotiated amount.

II. SCHEME TO DEFRAUD PRIVATE LENDERS

31. Beginning in or around October 2021, and continuing through until in or around December 2021, in Fresno County, State and Eastern District of California, and elsewhere, defendant NEWCOMB intended to devise, devised, participated in, and executed a material scheme to defraud private lenders, including PRIVATE LENDER ONE, and to obtain money and property from these lenders, by means of materially false representations, promises, and pretenses.

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III. MANNER AND MEANS

32. Defendant NEWCOMB carried out his scheme to defraud by using the following manner and means, among others:

33. Defendant NEWCOMB caused loans applications to be submitted to private lenders, including PRIVATE LENDER ONE, where he falsely represented that Strategic Innovations had millions of dollars in accounts receivable from customers. He knew that Strategic Innovations had not actually made any sales and did not have any accounts receivable, and that these representations were false when he made them to the lenders.

34. The false representations that defendant NEWCOMB made to the private lenders were material to their decisions to approve his loan applications because the representations concerned the availability of accounts receivable as the security for the loans in the event of default. The private lenders may deny a business' loan application if it does not have any accounts receivable.

35. At all relevant times, defendant NEWCOMB acted with the intent to defraud. Through his scheme to defraud, defendant NEWCOMB caused private lenders to incur over \$190,000 in losses.

IV. INTERSTATE WIRE TRANSMISSIONS

36. On or about the dates set forth below, in the State and Eastern District of California, and elsewhere, for the purpose of executing his scheme to defraud, defendant NEWCOMB knowingly transmitted and caused to be transmitted, by means of wire and radio communication in interstate commerce, including to and from the State and Eastern District of California, the following writings, signs, signals, pictures and sounds:

Count	Date	Description
FIVE	12/8/21	Wire transmission of monies in the amount of \$47,500, originating from the bank account of PRIVATE LENDER ONE and sent to defendant NEWCOMB's Strategic Innovations bank account ending – 7097 at Bank of the West in Fresno County, State and Eastern District of California, that was processed interstate through Fedwire.

All in violation of Title 18, United States Code, Section 1343.

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1 COUNT SIX: [18 U.S.C. § 1957 – Money Laundering]

2 The Grand Jury further charges:

3 ROYCE NEWCOMB,

4 defendant herein, as follows:

5 37. Paragraphs 1 through 16 inclusive are hereby incorporated by reference as if fully set
6 forth herein.

7 38. On the dates set forth below, in Fresno County, State and Eastern District of California,
8 and elsewhere, defendant NEWCOMB did knowingly engage in monetary transactions by, through, and
9 to financial institutions, affecting interstate commerce, in criminally derived property that was of a value
10 greater than \$10,000, that is the withdrawal and transfer of money, as more fully set forth below, such
11 property having been derived from a specified unlawful activity, to wit: wire fraud in violation of Title
12 18, United States Code, Section 1343 as follows:

Count	Date	Monetary Transaction
SIX	11/2/21	Cashier's check for \$70,000.00 drawn from defendant NEWCOMB's Strategic Innovations bank account ending – 7097 at Bank of the West in Fresno County, State and Eastern District of California.

16 All in violation of Title 18, United States Code, Section 1957.

17 FORFEITURE ALLEGATION: [18 U.S.C. § 981(a)(1)(C), 28 U.S.C. § 2461(c), and 18 U.S.C. §
18 982(a)(1) - Criminal Forfeiture]

19 1. Upon conviction of one or more of the offenses alleged in Counts One through Five of
20 this Indictment, defendant NEWCOMB shall forfeit to the United States, pursuant to 18 U.S.C. §
21 981(a)(1)(C) and 28 U.S.C. § 2461(c), all property, real and personal, which constitutes or is derived
22 from proceeds traceable to such violations, including, but not limited to:

23 a. A sum of money equal to the amount of proceeds traceable to such offenses, for
24 which defendant is convicted.

25 2. Upon conviction of one or more of the offenses alleged in Count Six of this Indictment,
26 defendant NEWCOMB shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(1), all property,
27 real or personal, involved in such offenses, and any property traceable to such property, including but
28 not limited to the following:

1 a. A sum of money equal to the amount of money involved in the offenses, for
2 which defendant is convicted.

3 3. If any property subject to forfeiture as a result of the offenses alleged in Counts One
4 through Six of this Indictment, for which defendant is convicted:

- 5 a. cannot be located upon the exercise of due diligence;
6 b. has been transferred or sold to, or deposited with, a
7 third party;
8 c. has been placed beyond the jurisdiction of the court;
9 d. has been substantially diminished in value; or
10 e. has been commingled with other property which cannot be divided without
11 difficulty;

12 it is the intent of the United States, pursuant to 28 U.S.C. § 2461(c) and 18 U.S.C. § 982(b)(1),
13 incorporating 21 U.S.C. § 853(p), to seek forfeiture of any other property of said defendant, up to the
14 value of the property subject to forfeiture.

15 A TRUE BILL.

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17 /s/ Signature on file w/AUSA

18 FOREPERSON

19
20 PHILLIP A. TALBERT
21 United States Attorney

22 **KIRK E. SHERRIFF**

23 KIRK E. SHERRIFF,
24 Assistant United States Attorney,
25 Chief, Fresno Office
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